

INSTRUCTIONS FOR PREPARING COST PROPOSALS FOR CONTRACTS AND AGREEMENTS

1. Offerors should:

a. Provide these instructions to all lower tier offerors (subcontractors). Proprietary data from lower tier offerors may be submitted directly to the Government in accordance with instructions contained in the announcement.

b. Furnish Tables 1 and 2 for the entire performance period including any options (supported by rationale required by paragraph 2) in both hard copy and on a CD, Microsoft Word/Excel or compatible file(s), to include all cell formulas. Include a separate Cost Element Summary for each option proposed.

c. Provide the following information as the first page of the budget for the entire period of performance, including any options.

- i. Name, title, telephone and fax numbers and e-mail address of offeror's business and technical points of contact,
- ii. Amount budgeted/proposed for basic effort and each option (Government and Offeror Share if applicable);
- iii. Name, address and telephone number of the cognizant contract administration and Defense Contract Audit Agency offices, if known;
- iv. Name, title, and signature of authorized representative;
- v. Date offer is submitted; and
- vi. Broad Agency Announcement or Other Solicitation Number under which the proposal is submitted.

2. Submit the proposal, organized as discussed below. The cost proposal is not restricted in length and shall provide cost information for all performance periods. Certified cost or pricing data may be required for awards over \$650,000.

Section 1 - Total Cost Summary. This section should include all of the proposed costs of the project, including Government or Offeror cost sharing if applicable. (See Section 2 below for additional information.) Identify when the offeror's fiscal year begins and ends. Submit a cost element summary by major cost element for the basic period of performance and each option proposed using the format in Table 1. The detail required for each of the major cost elements is described below. Address all elements of cost applicable to the proposed effort and provide a narrative to support costs included in Table 1.

a. **Direct Labor.** Show each category of direct labor proposed on a separate row. In supporting rationale, identify the source and explain the derivation of the labor rate proposed for the first year in each labor category, and explain the methodology used to project each rate for subsequent years. Note: If temporary or part-time labor is proposed, explain the differences between the rates of pay for fulltime and temporary or part-time workers and the impact of those differences on the direct rates proposed. Identify all uncompensated labor (straight time and/or overtime) included in this cost element, and explain the impact of uncompensated time on the direct rates proposed. Show hours proposed for each labor category by year/rate. For new or unfilled positions, a historical average, signed offer sheet, or description of the labor category sufficient to allow comparison to salary surveys should be provided.

b. **Indirect Cost Rates and/or Factors.** Identify all indirect cost rates (such as, fringe benefits, labor overhead, material overhead, G&A, etc.) and their applicable allocation bases. If composite

rates are used, provide the calculations used in deriving the composite rates. Identify the basis of proposed rates (e.g., Forward Pricing Rate Agreement and date of agreement, bidding rates and the date of submission or actual rates used and the effective date, billing rates and the date of approval, etc.).

c. Subcontractors. Obtain cost proposals from each subcontractor using the same cost breakout required for Table 1. Using Table 2, provide a list of anticipated subcontractors. Perform and provide evaluation results of cost/price analysis of subcontract proposals. If decrement factors are used, explain their development and application. Prime contractor's are required to obtain competition to the maximum extent practicable when selecting subcontractors, if the prime contractor has obtained competitive quotes from potential subcontractors, copies of the quotes should be provided. If the prime has selected other than the low subcontractor bid for inclusion in their proposal or intends to award the subcontract effort on a sole-source basis, the prime should provide rationale for their decision. In the event that competition was not sought prior to submitting a prime proposal to the Government, the prime should have the subcontractors provide the same supporting information that is required from the prime as shown in paragraphs (a) through (g) in Section 1 for subcontractor proposals that exceed \$100K. The subcontractors can submit this information in a sealed envelope with the prime contractor's proposal or directly to the Government. Certified cost or pricing data may be required for subcontractor proposals over \$650,000. If the subcontractor is not yet determined, the proposal must include a list of the tasks to be performed, an explanation of the method used to estimate the subcontract price, and the reason proposals/quotes cannot be requested/provided at this time.

d. Consultants. Using Table 2, provide a list of anticipated consultants. Substantiate the need for and cost of proposed consultant services. The prime contractor should provide a breakdown of the consultant's hours, the hourly rate proposed, any other proposed consultant costs, a copy of the signed Consulting Agreement or other documentation supporting the proposed consultant cost, and a copy of the consultant's proposed statement of work if it is not already separately identified in the prime contractor's proposal.

e. Travel, Materials, Equipment & Supplies, and Other Direct Costs (ODCs). Separately identify costs for travel, material, equipment, supplies and other direct costs required to perform the basic effort and each option.

Travel - Provide a breakout of travel costs for each year including the purpose and number of trips, origin and destination(s), duration, and travelers per trip.

Materials, Equipment & Supplies - Provide an itemized list of all proposed materials, equipment, and supplies for each year including quantities, unit prices, proposed vendors (if known), and the basis of estimate (e.g., quotes, prior purchases, catalog price lists, etc.). If the total cost for materials, equipment & supplies exceeds \$100k per year then select a sample of the items proposed and provide catalog price lists/quotes/prior purchase orders to support the price for the items in the sample. All items with a unit price over \$10,000 regardless of the total cost for materials, equipment & supplies must be supported with a copy of catalog price lists/quotes/prior purchase orders.

Other Direct Costs - Provide an itemized breakout and explanation of all other proposed ODCs by year.

f. Cost of Money (COM). Refer to FAR 52.215-16,

Facilities Capital Cost of Money. Provide a schedule which contains proposed cost of money (COM) factors, if applicable, to include a display of all individual bases for the COM amounts. Submit a DD Form 1861 for each year.

g. **Profit/Fee (If applicable).** This section specifies the profit or fee percentage proposed and the base to which the rate applies. Any usual contract performance risk factors should be identified. Profit or fee is not allowed on direct costs for facilities, in cooperative agreements or other transaction instruments, or in cost-sharing contracts.

Section 2 - Cost Sharing (If Applicable). The solicitation will specify if cost sharing is required, at what level, and what types of resources can be counted. If required, proposals should contain information regarding the necessity for, sources, valuation and timing of the proposed cost sharing. Sunk costs generally cannot be counted as cost share.

**TABLE 1
COST ELEMENT SUMMARY [SAMPLE]**

Year 1				Year 2 or Option Year			
COST ELEMENT	BASE	RATE	AMT	BASE	RATE	AMT	TOTAL PROPOSED AMOUNT
DIRECT LABOR (List each direct labor category separately.)	Hrs	\$	\$	Hrs	\$	\$	\$
TOTAL DIRECT LABOR			\$			\$	\$
FRINGE BENEFITS	\$	%	\$	\$	%	\$	\$
TOTAL LABOR OVERHEAD	\$	%	\$	\$	%	\$	\$
SUBCONTRACTORS CONSULTANTS (List Separately)			\$			\$	\$
MATERIALS & EQUIPMENT			\$			\$	\$
MATERIAL OVERHEAD	\$	%	\$	\$	%	\$	\$
TRAVEL			\$			\$	\$
ODCs			\$			\$	\$
G&A	\$	%	\$	\$	%	\$	\$
IR&D/B&P	\$	%	\$	\$	%	\$	\$
SUBTOTAL COSTS			\$			\$	\$
COST OF MONEY (See DD Form 1861)			\$			\$	\$
TOTAL COST			\$			\$	\$
PROFIT/FEE	\$	%	\$	\$	%	\$	\$
TOTAL PRICE/COST			\$			\$	\$
GOVERNMENT SHARE			\$			\$	\$
RECIPIENT SHARE			\$			\$	\$

**TABLE 2
SUBCONTRACTORS/INTERORGANIZATIONAL TRANSFERS (IOT) & CONSULTANTS
PRICE SUMMARY**

A	B	C	D	E	F
SUBCONTRACTOR, & CONSULTANT NAME	SOW TASKS PERFORMED *	TYPE OF AWARD	SUBCONTRACTOR, & CONSULTANT QUOTED PRICE	COST PROPOSED BY PRIME FOR THE SUBCONTRACTOR, & CONSULTANT	DIFFERENCE (Column D – Column E), IF APPLICABLE
TOTALS					

*Identify Statement of Work, Milestone or Work Breakdown Structure paragraph or provide a narrative explanation as an addendum to this Table that describes the effort to be performed.